



ITALY BEST PROSPECT INDUSTRY SECTOR PROFILE

Sector Name: **AUTOMOTIVE PARTS AND SERVICE EQUIPMENT**

ITA Industry Code: APS

The Italian market for automotive parts and service equipment experienced a decline of 5 percent during 2002—a negative result reflecting the 11 percent decrease in passenger car production in Italy. Domestic production covered approximately 67 percent of the demand and imports held steady at 33 percent. Sales of original equipment (OE) accounted for 71 percent of total components demand, with 22 percent of OE acquisitions imported. Aftermarket (AM) sales represented 29 percent of overall components demand (with well over half being covered by imports). The exceptional market share of AM imports is attributable to the development of modern distribution channels and transnational operators, improved performance of foreign automotive organizations and greater competitiveness of imported products. Main country suppliers are Germany (33 percent) and France (21 percent). Imports from the U.S. represented 3.5 percent of overall imports.

Italy has reportedly one of the highest auto densities in the world and still one of the oldest circulating auto fleets in Europe with approximately 35 million vehicles currently on the road. Despite the fact that a stabilization, if not contraction, in growth of the vehicle fleet and the simultaneous increase in the reliability of components would point to a slowdown in the growth of the market, the higher frequency of periodic compulsory motor vehicle inspections and stricter pollution control regulations are nonetheless expected to spur sales in Italy of spare parts and service equipment. Furthermore, as the electronic systems on cars become increasingly sophisticated so must service shops invest in new equipment and technologies to provide maintenance for these systems.

In October 2002, new European standards on auto servicing came into force, opening attractive prospects for repair professionals who do not belong to manufacturers' networks. Based on the new rules, these professionals will be able to receive from car manufacturers any technical information and training needed to repair any kind of automobile. This represents a significant market opportunity for Italy's 60,200 independent repair professionals who, along with the 4,200 garages belonging to the official networks, make up the Italian auto repair industry.

While growth in U.S. auto parts, accessories, components and service equipment shipments to Italy is not expected to exceed a 2 percent average annual increase for the next couple of years, the U.S. industry is nevertheless supplying the Italian market primarily from its European subsidiaries. Best prospects include all the wide range of passive and active security components/accessories, environmentally friendly features, diagnostic apparatuses and light weight/acoustic insulation/advanced materials.

Data Table:

(USD Millions)	2001 (actual)	2002 (estimate)	2003 (estimate)
Total Market Size	20,862	20,988	24,036
Total Local Production	28,301	26,328	28,505
Total Exports	12,699	12,241	13,254
Total Imports	6,435	6,901	8,785
Imports from the U.S.	224	236	283
Exchange rate \$1=euro	1.117	1.057	0.877

The above statistics are unofficial estimates.